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What Jobbers See In Automated Fueling
Why Insurance Regs Have Marketers on Edge
Refiners' First Quarter Profits Take Off

NPN
National Petroleum News

How Industry Views Impending Underground Tank Regs

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Editor's Viewpoint

Back in 1985, the Puerto Rico Department of Consumer Affairs tried to establish price controls on motor fuels and an independent marketer, Isla Petroleum Corp., refused to roll over and play dead. It took the issue to the federal district court in Puerto Rico, which ruled in Isla's favor that the Puerto Rican government could not set prices. A Temporary Emergency Court of Appeals upheld the decision.

But bureaucrats don't give up easily either. They took the case to the U.S. Supreme Court—and won. The court ruled that in the absence of federal controls, states could regulate gasoline prices and supply allocations and impose similar controls on other petroleum products.

A lot of people will shake their heads—and their fists—at the Supreme Court. But the Court isn't the real problem here. I can't speculate on the reasoning of the Court, the logic and legalities involved. But supply and demand and free market pricing and economics obviously weren't a part of it. And that's just as well. The Court is supposed to judge based constitutional considerations, not economics.

The real danger is in the state legislatures. This is where industry attention has to be focused now. The Court said states could impose controls; it didn't say they had to. State associations will need strong marketer support because they'll have to monitor and mobilize quickly at the first sign of legislative activity on controls.

And there will almost surely be such activity. A dozen states reportedly filed friend of the court legal briefs in the Supreme Court case in favor of the right to establish controls. There are no doubt a lot of state legislators kicking up their heels and sharpening their pencils and dragging out the same tired old arguments about greedy businessmen raping the public with unnecessarily high prices and lining their pockets with "obscene" profits.

Most industry sources believe that if states do enact price controls it will mean chaos and marketers will feel the impact. But it probably won't last long because these states will face the verdict of another court—the millions of consumers and the businessmen who serve them. How long before marketers and suppliers begin pulling out of the states that determine what prices and profit margins should be? And then the state lawmakers will have to deal with voters who have seen their sources—and choices—of supply sharply curtailed.

—Frank M. Victoria

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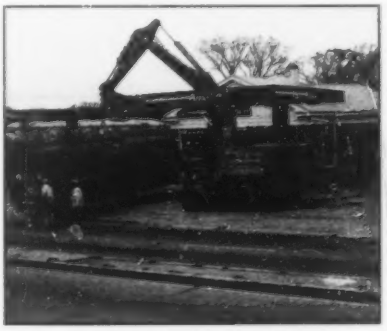
As the Environmental Protection Agency gets ready to issue its long awaited underground tank regs, the mood of petroleum marketers is calm, almost complacent. But that could change. **Page 40**



If there's one thing that has jobbers anxious about the forthcoming EPA tank regs, it's the liability factor, particularly the $1-million per incident coverage requirement. EPA says it might phase in implementation to ease the pain, but jobbers worry about the long run. **Page 46**

Changes in the fire codes are opening the way to unattended self-serve fueling to the public. But retail cardlocks won't pop up overnight, experts say. **Page 52**

Short-Term Outlook; Cloudy/Bright

The short-term energy outlook for the balance of 1988 and throughout next year is neither exciting nor depressing. Federal government forecasters say gasoline and distillate demand should continue to inch upwards in both years while prices dip in 1988 and recover modestly by the end of 1989.

An item of note is that consumption of leaded gasoline will decline to less than 1-million b/d by the fourth quarter of 1989. It will then represent only 12.2% of the nation's gasoline consumption. This decline is expected to continue in 1990, probably sliding below the 10% level. For the full years of 1988 and 1989, however, leaded gasoline consumption is expected to average 1.5-million b/d this year and 1.1-million b/d next.

The Energy Information Administration, which makes the quarterly forecasts for the government, said crude oil prices are expected to stay within a range of from $15 to $18 bbl. in 1988 and 1989, which is about $1 bbl. to $2 bbl. less than the EIA had projected earlier this year [*NPN* — April '88, p25].

Expanding demand and falling domestic production will probably lead to an increase of 11% (about 490,000 b/d) in crude oil imports to an average of 5.1-million b/d this year and about 6.3% more in 1989, EIA said.

Gasoline margins are expected to average about 12¢ a gal. this year, a little less than last year. Next year they're expected to run around 14¢ a gal., which would be about the same as in 1987, EIA said.

What's Ahead; Turtle-Like Improvements Continue

	PROJECTIONS					
	1988		1989			
DEMAND (million b/d)	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Motor Gasoline	7.45	7.34	6.99	7.52	7.52	7.45
Leaded	1.50	1.41	1.28	1.17	1.04	0.95
Unleaded	5.95	5.93	5.70	6.35	6.49	6.50
% Unleaded	80%	80%	82%	84%	86%	87%
Distillates	2.70	3.16	3.41	2.89	2.74	3.20
Residual	1.10	1.14	1.44	1 12	1.08	1.14
Total U.S. (a)	16.59	17.10	17.12	16.64	16.80	17.41
PRICES (¢ per gal.) (b)						
Motor Gasoline (c)	0.90	0.92	0.94	0.97	1.00	0.98
No. 2 Diesel Oil	.87	.88	.91	.94	.95	.95
No. 2 Heating Oil						
Wholesale	.48	.53	.55	.54	.52	.55
Retail	.74	.82	.85	.81	.78	.83
Residual (d)	.36	.40	.43	.41	.40	.43

	ANNUALIZED COMPARISON					
DEMAND (million b/d)	**1987**	**1988**	**1989**	**% Chng. 87/86**	**% Chng. 88/87**	**% Chng. 89/88**
Motor Gasoline	7.18	7.29	7.37	1.8%	1.5%	1.1%
Leaded	1.74	1.46	1.11	(20.6)	(16.0)	(31.5)
Unleaded	5.45	5.83	6.26	12.0	7.0	7.4
% Unleaded	76%	80%	85%	—	—	—
Distillates	2.96	3.04	3.06	1.7	2.7	0 7
Residual	1.15	1.22	1.19	(12.0)	(2.4)	(2.5)
Total U.S. (a)	16.55	16.85	16.99	1.5	1.8	0.8
PRICES (¢ per gal.) (b)						
Motor Gasoline (c)	0.96	0.91	0.97	3.2	(5.2)	6.6
No. 2 Diesel Oil	.92	.89	.94	4.5	(3.3)	5.6
No. 2 Heating Oil						
Wholesale	.53	.50	.54	6.1	(5.7)	8.0
Retail	.80	.80	.82	(4.8)	0.0	2.5
Residual (d)	.42	.37	.42	23.6	(12.1)	11.1

(a) Includes all other oils; (b) Includes federal and state taxes on all products except No. 2 heating oil, which is not taxed; (c) Average for all grades and services (d) Average for all grades of sulfur.

Source: Energy Information Administration, Short-Term Energy Outlook, dated April 1988, published in May.

Billions For Marketing — But Is Spending Flagging?

U.S. oil companies are still pouring billions of dollars into oil marketing facilities—record-breaking amounts, in fact—but the latest forecast by McGraw-Hill's Data Research subsidiary indicates that the fervor to do so may be cooling off a bit.

It's all in the way that the statistics are read and evaluated. This year, for example, oil companies are scheduled to spend $4.7-billion in marketing expansion. That's wonderful and all that, but it's $146-million less than had been projected only six or seven months ago. This means that instead of going up 11.6% in 1988, the increase will be only 8.3%.

The 1989 forecast is essentially the same as last winter's—$4.8-billion—although the percentage factor is changed from a minus to a plus. The new 1989 forecast calls for a 1.7% increase in spending. Here again, this doesn't sound too bad, especially since the previous forecast suggested there would be a decrease of 1.3% in next year's outlays. But actually there's no increase in the amount of money budgeted for marketing facilities in 1989; it's just that the 1988 figures were deflated and this makes the 1989 numbers appear somewhat rosier than they really are.

There's no question that marketing continues to ride the high, however. The recently released new study confirms again that oil companies are spending—or are scheduled to spend—almost $14-billion to improve and expand marketing facilities from 1987 through 1989. Interestingly, so few companies offered projections on 1990 that Data Research Institute says there weren't enough to make forecasts. Is there a slowdown message in this too? In past years, refiners weren't hesitant to use crystal balls and tarot cards to look ahead—even to the year 2000. Or, as some economists have speculated, there are so many intangibles in the OPEC scenarios in 1989 and 1990 that even an Ouiji Board couldn't come up with answers.

Marketing wasn't the only division in which oil company masterminds refused to make 1990 projections. The "insufficient data" rule-of-thumb killed off 1990 forecasts for transportation, petrochemicals, auxiliary activities like coal mining and diversification interests, and even the totals for the U.S. as a whole.

For all of petroleum's capital spending in 1988 and 1989, the outlook is brighter—but not overwhelmingly so. For example, 1987 was only slightly ahead of 1986, which was a very bad year for budget-cutting and retrenchment. This year is estimated to be about 12% better than 1987, and 1989, another 6% greater than 1988. But for 1989, the capital dollars are estimated at $41-billion. Not too many years ago, oil spent that and then some on exploration and production alone.

Following are the projected expenditures for marketing, exploration and development, and refining. Figures for transportation, petrochemicals and "other" spending are included in NPN's Factbook.

Year	Projections	% Change
	MARKETING	
1990 Planned	(Insuff. Data)	—
1989 Planned	$4,794	+ 1.7%
1988 Estimated	4,712	+ 8.3
1987 Actual	4,352	+23.4
1986 Actual	3,526	− 3.8
	TRANSPORTATION	
1990 Planned	(Insuff. Data)	
1989 Planned	2,340	− 8.8
1988 Estimated	2,565	+42.1
1987 Actual	1,805	−52.7
1986 Actual	3,815	+ 0.5
	REFINING	
1990 Planned	2,562	+ 0.3
1989 Planned	2,553	+ 6.7
1988 Estimated	2,393	+15.1
1987 Actual	2,079	−16.1
1986 Actual	2,478	−26.6
	U.S. TOTAL	
1990 Planned	(Insuff. Data)	
1989 Planned	41,231	+ 6.0
1988 Estimated	38,905	+12.1
1987 Actual	34,716	+ 0.5
1986 Actual	34,529	−29.9

Source: Data Research, Inc., McGraw-Hill, Inc., 37th Survey of Preliminary Plans for New Plants and Equipment, published in June, 1988.

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

APRIL	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$0.946	$0.883	$0.930	$1.088
Regions:				
Northeast	.964	.876	.929	1.100
North Central	.943	.897	.937	1.090
South	.936	.864	.916	1.074
West	.947	.896	.942	1.096

Source: U.S. Dept. of Labor, Bureau of Labor Statistics

STOCKS (Add 000 bbl.)

	5/27/88	5/29/88
Gasoline (total)	225,581	231,427
Gasoline (unleaded)*	143,998	134,777
Jet Kerosine	38,326	39,391
Distillates	99,313	99,111
Residual	42,928	40,724

**Included in gasoline total*
Source: American Petroleum Institute

First Quarter Profits: Up, Up, Up vs. Weak '87

Bolstered by healthy downstream turnarounds, first-quarter earnings for most oil companies were manna from heaven compared to the traumatic price reversals of first-quarter 1987.

Shell had a spectacular showing, a $1.2-billion first quarter compared with a net of $108-million in the like-period of last year.

Ashland Oil's increase also just about moved right off the charts, leaping from $1-million in the first quarter of last year to $21-million in the first quarter of this year—a whopping 2,000% jump.

Three-fourths of Shell's increase was credited to an accounting change, however. Setting this one-time increase aside, nevertheless, Shell's first-quarter profit was still in the neighborhood of $345-million—triple that of last year and not a bad neighborhood to be in, regardless.

Phillips had a significant return to profitability—$130-million versus a loss of $32-million last year.

As the accompanying chart shows, Unocal also made a very respectable showing, with a 188% increase (from $60.7-million in the first quarter of last year to $174.8-million in this year's first quarter). Also posting gains of 100% or more were: Tenneco (117.2%), Conoco (101.2%), Texaco (105.1%) and Mobil (100%). The biggest losses were posted by Murphy Oil (308%) and Diamond Shamrock (278%).

The chart shows how sizeable these downstream earnings of the oil companies were and gives a pretty good indication of how greatly they contributed to the sharp recovery of corporate earnings. Immediately noticeable, for instance, is that none of the companies with figures available registered a loss downstream.

And the gains in earnings which were posted by some of the companies were dramatic. At the top of the list was Texaco, with an impressive 2,483% jump, from $6-million in the first quarter of 1987 to $153-million in the first quarter of this year.

Shell's performance was nothing to sneeze at either. The company's downstream operations in the first quarter of this year brought in earnings of $130-million compared to $8-million in the same period last year—a 1,525% increase. Exxon came in third, rising from a much larger base of $36-million in the first quarter of 1987 to $431-million in the first quarter of 1988, a 1,097.2% increase.

Corporate Earnings

(Millions of dollars)

	1 Qtr. 1988	1 Qtr. 1987	% Chng.
Exxon	$1,455.0	$1,070.0	36.0%
Mobil	505.0	252.0	100.0
Texaco	242.0	118.0	105.1
Chevron	653.0	381.0	80.9
Shell	1,245.0	108.0	1052.8
Amoco	469.0	260.0	80.4
Arco	401.0	239.0	67.8
Tenneco*	63.0	29.0	117.2
BP-America	NA	NA	—
Conoco	171.0	85.0	101.2
Phillips	130.0	(32.0)	—
Sun	60.0	38.0	57.9
Unocal	174.8	60.7	188.0
Marathon**	84.0	115.0	(27.0)
Coastal	46.5	44.1	5.4
Amerada Hess	65.6	181.5	(63.9)
Ashland***	21.0	1.0	2000.0
Diamond Shamrock	(4.8)	2.7	(278)
Pennzoil	20.7	12.1	71.1
Kerr-McGee	10.3	20.2	(49.0)
Murphy	(6.4)	3.1	(308)
American Petrofina	30.4	19.8	53.5
Citgo	41.9	25.0	68.0
Getty	NA	NA	—

*Includes Tenneco Oil; **Operating income, not net; ***Second quarter, fiscal ends 9/30; NA = Not available.

Downstream Earnings

(Millions of dollars)

	1 Qtr. 1988	1 Qtr. 1987	% Chng.
Exxon	$431	$36	1097.2%
Domestic	94	(38)	—
Foreign	337	74	335.4
Mobil	217	78	178.2
Domestic	101	2	495.0
Foreign	116	76	52.6
Texaco	153	6	2483.0
Domestic	92	(55)	—
Foreign	61	61	0.0
Chevron	199	(14)	—
Domestic	134	(46)	—
Foreign	65	32	103.8
Shell	130	8	1525.0
Amoco (worldwide)	169	(5)	—
Arco	87	25	248.0
BP-America	NA	NA	—
Conoco	77	40	92.5
Phillips*	74	30	146.7
Sun	40	(12)	—

*Pre-tax operating income.

Hess and Chevron Top Crude And Product Importers in '87

Amerada Hess, New York-based refiner-marketer, and Chevron U.S.A., the nation's third largest oil company, were the biggest importers of crude oil and products in 1987, says the government's Energy Information Administration.

For Chevron, it was a repeat performance as the biggest importer of crude oil alone and crude oil and products combined. For Hess, it also was a repeat performance in distillates, resid and jet fuel. Hess also displaced Northville Industries, Melville, N.Y., as the biggest gasoline importer in the land.

Most of the importers are marketers but there are a number of brokers-traders in the lists also.

Here are the totals for 1987, as compiled by EIA in mid-May:

Top 10 Importers of Crude and Product

Company	Headquarters	Volume (000 b/d)	% of U.S. Total
CRUDE OIL AND PRODUCT			
Chevron	San Francisco	628	9.65%
Texaco	White Plains, N.Y.	461	7.08
Amerada Hess	New York	299	4.60
Shell	Houston, Tex.	287	4.41
Exxon	Houston, Tex.	280	4.30
Amoco	Chicago	271	4.16
Sun	Philadelphia	244	3.75
Standard Oil	Cleveland	232	3.56
Coastal Corp.	Houston, Tex.	229	3.52
Mobil	New York	229	3.52
Total Top 10		3,160	48.55
Total U.S.		6,509	
CRUDE OIL ONLY			
Chevron	San Francisco	596	12.85
Texaco	White Plains, N.Y.	414	8.92
Shell	Houston, Tex.	269	5.80
Amoco	Chicago	258	5.56
Standard Oil	Cleveland	231	4.98
Exxon	Houston, Tex.	200	4.31
Mobil	New York	198	4.27
U.S. Steel	Pittsburgh, Pa.	189	4.07
Citgo	Tulsa, Okla.	179	3.86
Sun	Philadelphia	179	3.86
Total Top 10		2,713	58.48
Total U.S.		4,639	
FINISHED MOTOR GASOLINE			
Amerada Hess	New York	42	9.84
Clarendon Mktg.	Stamford, Conn.	37	8.67
Vitol S.A.	Coral Gables, Fla.	32	7.49
Northville Indus.	Melville, N.Y.	31	7.26
Getty Petro	Jericho, N.Y.	26	6.09
Coastal Corp.	Houston, Tex.	25	5.85
Mobil	New York	23	5.39
Langham-Hill	Charlottesville, Va.	19	4.45
Bear Stearns	New York	16	3.75
Texaco	White Plains, N.Y.	15	3.51
Total Top 10		266	62.30
Total U.S.		427	

Company	Headquarters	Volume (000 b/d)	% of U.S. Total
DISTILLATES			
Amerada Hess	New York	51	21.25
Global Petro.	Waltham, Mass.	26	10.83
Clarendon Mktg.	Stamford, Conn.	14	5.83
Wyatt Inc.	New Haven, Conn.	14	5.83
Charter Oil	Jacksonville, Fla.	12	5.00
Northville Indus.	Melville, N.Y.	12	5.00
Transworld Oil	Houston, Tex.	10	4.17
George Warren	New York	10	4.17
Astroline	Long Beach, Calif.	8	3.33
Vitol S.A.	Coral Gables, Fla.	8	3.33
Total Top 10		165	68.75
Total U.S.		240	
RESIDUAL			
Amerada Hess	New York	121	21.88
Coastal Corp.	Houston, Tex.	76	13.74
Clarendon Mktg.	Stamford, Conn.	45	8.14
Sun	Philadelphia	33	5.97
Charter Oil	Jacksonville, Fla.	28	5.06
BP/Nor. America	New York	27	4.88
Scallop Petro.	New York	25	4.52
Clark Oil Trdg.	St. Louis, Mo.	20	3.62
Chevron	San Francisco	19	3.44
Carey Energy	New York	13	2.35
Total Top 10		407	73.60
Total U.S.		553	
JET FUELS			
Amerada Hess	New York	13	37.14
Texaco	White Plains, N.Y.	7	20.00
Mobil	New York	6	17.14
Western Petro.	Los Angeles	3	8.57
Defense Fuel Sup. Ctr.	Washington, D.C.	2	5.71
Chevron	San Francisco	1	2.86
Pacific Fuel Trdg.	Los Angeles	1	2.86
PanAm World Aways	New York	1	2.86
Shell	Houston, Tex.	1	2.86
Astroline	Long Beach, Calif.	*	*
Total Top 10		35	100.0
Total U.S.		35	

Source: Energy Information Administration, Petroleum Supply Monthly

*Less than 1,000 b/d.

Shell Fire Effects Quantum Chem Supply

Quantum Chemical Corp. announced that the Shell Oil Co. Norco, La., plant explosion and fire will have adverse effects on its ethylene production at its Gulf Coast petrochemical facilities because Shell supplies its ethylene.

Shell Oil Co. says it will take at least one year to rebuild its Louisiana plant and could take as long as 18 months before the entire plant is ready to operate. The suspension of olefin and polypropane production will have negative effects on the company's petrochemical division, says Shell.

Because of the cutbacks, Quantum has been informed that Shell's ethylene customers will be put on allocation for an undetermined time, reducing Quantum's Gulf Coast supply. The allocation will result in a 20% reduction in the availability of Quantum's ethylene-derived products, says Quantum.

Demand for Quantum's major ethylene-based products, polyethylene and vinyl acetate monomer, has been strong and the company is evaluating what effects the cutbacks will have on the overall production and its marketing position.

The company notes that it has business interruption insurance which it believes will reimburse it for lost profits because of the supply cutback.

In addition to the Gulf Coast facilities where it purchases ethylene, Quantum has petrochemical plants in the Midwest producing about 2.2 billion pounds of ethylene per year.

(Continued from page 32)

carry the company's costs. Lindsay Holland said that recently, the fleet fueling firm was averaging between $300,000 and $400,000 each month in losses.

Rising phone rates, the plunge in gasoline prices in 1986, extravagant offices and even lawsuits were among the factors that drove the La Jolla, Calif.-based company to bail out at the end of April, said Lindsay Holland of Barney Holland Oil, Ft. Worth, Texas. Holland is one of five jobbers who are now attempting to steer the company back on track.

The other four jobber licensees involved are Keith Moore of West Texas Gas in Midland, Texas; Larry Bull of Herkimer Petroleum Products, Inc. in Utica, N.Y.; Stephen Draizin of RAD Oil Co., Inc. in New Rochelle, N.Y.; and Stewart Spinks of Spinx Oil Co. in Greenville, S.C.

Together, the five jobbers formed a company called GCF, Inc., which loaned Gascard a little under $400,000 initially and expects to kick in another $200,000 before bankruptcy proceedings close, Holland said. Optimistic estimates put the closing sometime in early fall, he added.

Under Chapter 11, Gascard hopes to provide for payment in full of all secured claims, partial payment for unsecured claims and partial retention of the present stockholders equity interest.

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Domestic Demand Up 2.2% Says IPAA

Demand for domestic petroleum products will increase 2.2% to an average 16.9-million b/d and U.S. crude production will continue to drop for the third consecutive year, according to a forecast from the Independent Petroleum Association of America's Supply and Demand Committee.

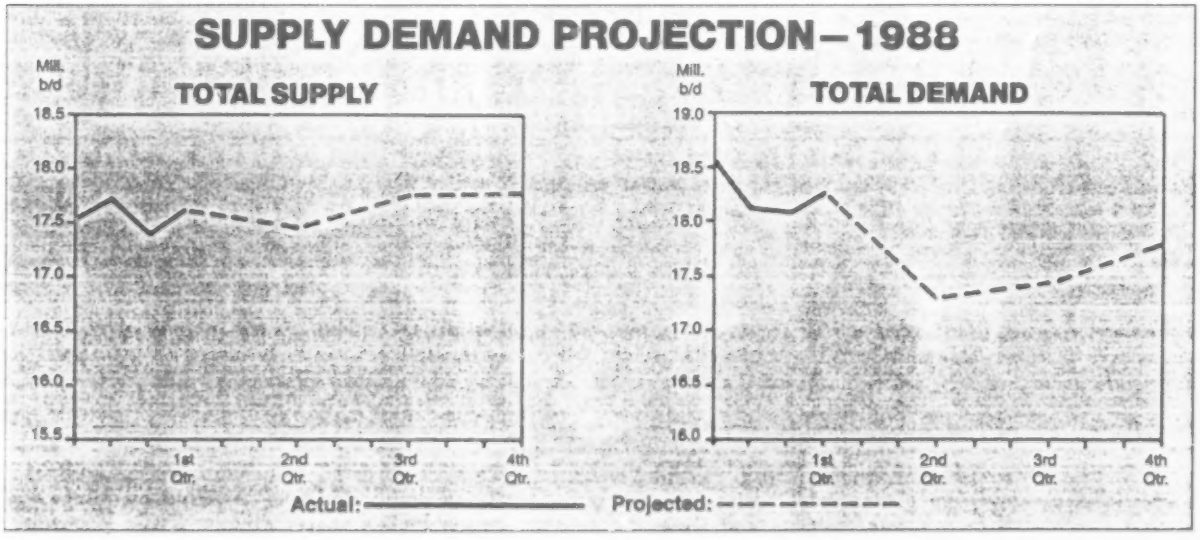
The report, which was released during IPAA's 1988 mid-year meeting, notes U.S. crude production is averaging 8.2-million b/d, a decline of 135,000 from last year. The report states that a modest recovery in drilling activity, coupled with increased production in Alaska's North Slope, will slow this year's decline rate to 1.2%, which is 4.3% below the comparable 1987 figure.

The rate of decline in crude oil production is forecasted to worsen in future years unless domestic drilling activity is stimulated further by economic incentives, the report states.

Other committee projection highlights:

- Lower crude oil production and higher demand will raise imports to 6.9-million b/d, an increase of 434,000 b/d from last year. Comparing the first quarter of this year to last year's first quarter report shows a 15% rise in imports. The committee says import dependency will reach 39% of the total U.S. supply this year, compared to 37% in 1987 and will increase even further in coming years. Deliveries for all products were substantially higher than during the first three months of last year.

(Continued on page 36)



(Continued from page 34)

- Natural gas will rise to 1.6% this year to 16.6-trillion cubic ft., while demand will jump 1.2% to 17.39-quadrillion BTUs.
- The committee projects economic growth will continue at modest levels for the remainder of 1988.

The committee says growth will slow with the expectation that the Federal Reserve Board will raise interest rates. This appears likely with the U.S. economy currently operating at high levels, and with the dollars decline raising import prices. In addition, there is a need to attract foreign investment in the U.S. economy to finance the large federal budget deficits.

The report states that motor gasoline demand is on the rise and will increase about 1.6% this year to 7.3-million b/d, which is a 2.1% increase from last year. The report attributes this increase to a higher vehicle population driving more miles which will offset expected improvement in average miles per gallon this year.

Aviation fuel is expected to show the largest percentage increase of 4.9% to 1.4-million b/d. The committee attributes the healthy growth to the increase in domestic and international travel.

Middle distillate demand shows a solid increase of 2.9%, an increase of 3.1-million b/d, primarily as a result of growth in the transportation sector. Residual fuel oil consumption is anticipated to increase less than 1% this year. Gains in industrial demand for residual fuel oil should offset the loss of market share in the power generation sector resulting from the improved supply of hydro and nuclear fuels.

IPAA's New Forecast: Demand Up, Output Soft

(Add 000 b/d)

	1988 Forecast 1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1988 Average	1987-88 % Chg.
DEMAND						
Domestic Products			(Add 000 b/d)			
Motor Gasoline	7,003	7,476	7,455	7,268	7,300	1.6%
Aviation Fuels	1,501	1,385	1,437	1,453	1,444	4.9%
Middle Distillates	3,635	2,905	2,767	3,266	3,143	2.9%
Residual Fuel Oil	1,508	1,165	1,163	1,208	1,261	0.6%
Other Products	3,757	3,625	3,898	3,782	3,765	2.1%
Domestic Demand	17,404	16,556	16,720	16,975	16,913	2.2%
Total Exports	875	739	717	771	775	0.3%
TOTAL DEMAND	18,279	17,295	17,437	17,746	17,688	2.1%
SUPPLY						
Domestic Production						
Crude Oil	8,312	8,185	8,118	8,086	8,175	−1.6%
Natural Gas Liquids	1,596	1,596	1,606	1,634	1,608	0.3%
Total Production	9,908	9,781	9,724	9,720	9,783	−1.3%
Imports						
Motor Gasoline	383	431	450	405	417	2.3%
Aviation Fuels	67	60	62	59	62	7.1%
Middle Distillates	320	255	273	275	281	8.9%
Residual Fuel Oil	691	466	504	547	552	−0.2%
Other Products	664	668	566	794	673	7.2%
Total Products	2,125	1,880	1,855	2,080	1,985	4.4%
Crude Oil Imports	4,618	4,793	5,270	4,983	4,917	7.7%
Total Imports	6,743	6,673	7,125	7,063	6,902	6.7%
Other Supply	906	1,027	913	981	956	5.1%
TOTAL SUPPLY	17,557	17,481	17,762	17,764	17,641	2.0%
Refinery Inputs	12,906	13,263	13,345	13,186	13,170	2.4%
CLOSING STOCKS (millions of bbl.)						
Motor Gasoline	230.0	225.4	223.5	227.0	227.0	0.3%
Aviation Fuels	48.0	47.1	48.6	48.7	48.7	−7.2%
Middle Distillates	98.5	106.2	132.6	141.0	141.0	−1.3%
Residual Fuel Oil	42.0	41.7	43.6	45.7	45.7	−3.4%
Other Products	238.5	265.2	268.0	255.3	255.3	2.6%
Total Products	657.0	685.6	716.3	717.7	717.7	0.0%
Crude Oil Stocks	344.5	332.8	332.0	332.3	332.3	−4.9%
TOTAL STOCKS	1,001.5	1,018.4	1,048.3	1,050.0	1,050.0	−1.6%

Source: IPAA Supply and Demand Committee, May, 1988.

First Quarter Profits: Up, Up, Up vs. Weak '87

Bolstered by healthy downstream turnarounds, first-quarter earnings for most oil companies were manna from heaven compared to the traumatic price reversals of first-quarter 1987.

Shell had a spectacular showing, a $1.2-billion first quarter compared with a net of $108-million in the like-period of last year.

Ashland Oil's increase also just about moved right off the charts, leaping from $1-million in the first quarter of last year to $21-million in the first quarter of this year—a whopping 2,000% jump.

Three-fourths of Shell's increase was credited to an accounting change, however. Setting this one-time increase aside, nevertheless, Shell's first-quarter profit was still in the neighborhood of $345-million—triple that of last year and not a bad neighborhood to be in, regardless.

Phillips had a significant return to profitability--$130-million versus a loss of $32-million last year.

As the accompanying chart shows, Unocal also made a very respectable showing, with a 188% increase (from $60.7-million in the first quarter of last year to $174.8-million in this year's first quarter). Also posting gains of 100% or more were: Tenneco (117.2%), Conoco (101.2%), Texaco (105.1%) and Mobil (100%). The biggest losses were posted by Murphy Oil (308%) and Diamond Shamrock (278%).

The chart shows how sizeable these downstream earnings of the oil companies were and gives a pretty good indication of how greatly they contributed to the sharp recovery of corporate earnings. Immediately noticeable, for instance, is that none of the companies with figures available registered a loss downstream.

And the gains in earnings which were posted by some of the companies were dramatic. At the top of the list was Texaco, with an impressive 2,483% jump, from $6-million in the first quarter of 1987 to $153-million in the first quarter of this year.

Shell's performance was nothing to sneeze at either. The company's downstream operations in the first quarter of this year brought in earnings of $130-million compared to $8-million in the same period last year—a 1,525% increase. Exxon came in third, rising from a much larger base of $36-million in the first quarter of 1987 to $431-million in the first quarter of 1988, a 1,097.2% increase.

Corporate Earnings

(Millions of dollars)

	1 Qtr. 1988	1 Qtr. 1987	% Chng.
Exxon	$1,455.0	$1,070.0	36.0%
Mobil	505.0	252.0	100.0
Texaco	242.0	118.0	105.1
Chevron	653.0	361.0	80.9
Shell	1,245.0	108.0	1052.8
Amoco	489.0	260.0	80.4
Arco	401.0	239.0	67.8
Tenneco*	63.0	29.0	117.2
BP-America	NA	NA	—
Conoco	171.0	85.0	101.2
Phillips	130.0	(32.0)	—
Sun	80.0	36.0	57.9
Unocal	174.8	60.7	188.0
Marathon**	64.0	115.0	(27.0)
Coastal	46.5	44.1	5.4
Amerada Hess	65.6	181.5	(63.9)
Ashland***	21.0	1.0	2000.0
Diamond Shamrock	(4.8)	2.7	(278)
Pennzoil	20.7	12.1	71.1
Kerr-McGee	10.3	20.2	(49.0)
Murphy	(6.4)	3.1	(308)
American Petrofina	30.4	19.8	53.5
Citgo	41.9	25.0	68.0
Getty	NA	NA	—

*Includes Tenneco Oil; **Operating income, not net; ***Second quarter, fiscal ends 9/30; NA = Not available.

Downstream Earnings

(Millions of dollars)

	1 Qtr. 1988	1 Qtr. 1987	% Chng.
Exxon	$431	$36	1097.2%
Domestic	94	(36)	—
Foreign	337	74	335.4
Mobil	217	78	178.2
Domestic	101	2	4950
Foreign	116	76	52.6
Texaco	153	6	2483.0
Domestic	92	(55)	—
Foreign	61	61	0.0
Chevron	120	(14)	—
Domestic	134	(46)	—
Foreign	65	32	103.6
Shell	130	8	1525.0
Amoco (worldwide)	169	(5)	—
Arco	87	25	248.0
BP-America	NA	NA	—
Conoco	77	40	92.5
Phillips*	74	30	146.7
Sun	40	(12)	—

*Pre-tax operating income.

Hess and Chevron Top Crude And Product Importers in '87

Amerada Hess, New York-based refiner-marketer, and Chevron U.S.A., the nation's third largest oil company, were the biggest importers of crude oil and products in 1987, says the government's Energy Information Administration.

For Chevron, it was a repeat performance as the biggest importer of crude oil alone and crude oil and products combined. For Hess, it also was a repeat performance in distillates, resid and jet fuel. Hess also displaced Northville Industries, Melville, N.Y., as the biggest gasoline importer in the land.

Most of the importers are marketers but there are a number of brokers-traders in the lists also.

Here are the totals for 1987, as compiled by EIA in mid-May:

Top 10 Importers of Crude and Product

Company	Headquarters	Volume (000 b/d)	% of U.S. Total
CRUDE OIL AND PRODUCT			
Chevron	San Francisco	628	9.65%
Texaco	White Plains, N.Y.	461	7.08
Amerada Hess	New York	299	4.60
Shell	Houston, Tex.	287	4.41
Exxon	Houston, Tex.	280	4.30
Amoco	Chicago	271	4.16
Sun	Philadelphia	244	3.75
Standard Oil	Cleveland	232	3.56
Coastal Corp.	Houston, Tex.	229	3.52
Mobil	New York	229	3.52
Total Top 10		3,160	48.55
Total U.S.		6,509	
CRUDE OIL ONLY			
Chevron	San Francisco	596	12.85
Texaco	White Plains, N.Y.	414	8.92
Shell	Houston, Tex.	269	5.80
Amoco	Chicago	258	5.56
Standard Oil	Cleveland	231	4.98
Exxon	Houston, Tex.	200	4.31
Mobil	New York	198	4.27
U.S. Steel	Pittsburgh, Pa.	189	4.07
Citgo	Tulsa, Okla.	179	3.86
Sun	Philadelphia	179	3.86
Total Top 10		2,713	58.48
Total U.S.		4,639	
FINISHED MOTOR GASOLINE			
Amerada Hess	New York	42	9.84
Clarendon Mktg.	Stamford, Conn.	37	8.67
Vitol S.A.	Coral Gables, Fla.	32	7.49
Northville Indus.	Melville, N.Y.	31	7.26
Getty Petro.	Jericho, N.Y.	26	6.09
Coastal Corp.	Houston, Tex.	25	5.86
Mobil	New York	23	5.39
Langham-Hill	Charlottesville, Va.	19	4.45
Bear Stearns	New York	16	3.75
Texaco	White Plains, N.Y.	15	3.51
Total Top 10		266	62.30
Total U.S.		427	

Company	Headquarters	Volume (000 b/d)	% of U.S. Total
DISTILLATES			
Amerada Hess	New York	51	21.25
Global Petro.	Waltham, Mass.	26	10.83
Clarendon Mktg.	Stamford, Conn.	14	5.83
Wyatt Inc.	New Haven, Conn.	14	5.83
Charter Oil	Jacksonville, Fla.	12	5.00
Northville Indus.	Melville, N.Y.	12	5.00
Transworld Oil	Houston, Tex.	10	4.17
George Warren	New York	10	4.17
Astroline	Long Beach, Calif.	8	3.33
Vitol S.A.	Coral Gables, Fla.	8	3.33
Total Top 10		165	68.75
Total U.S.		240	
RESIDUAL			
Amerada Hess	New York	121	21.88
Coastal Corp.	Houston, Tex.	76	13.74
Clarendon Mktg.	Stamford, Conn.	45	8.14
Sun	Philadelphia	33	5.97
Charter Oil	Jacksonville, Fla.	28	5.06
BP/Nor. America	New York	27	4.88
Scallop Petro	New York	25	4.52
Clark Oil Trdg.	St. Louis, Mo.	20	3.62
Chevron	San Francisco	19	3.44
Carey Energy	New York	13	2.35
Total Top 10		407	73.60
Total U.S.		553	
JET FUELS			
Amerada Hess	New York	13	37.14
Texaco	White Plains, N.Y.	7	20.00
Mobil	New York	6	17.14
Western Petro.	Los Angeles	3	8.57
Defense Fuel Sup. Ctr.	Washington, D.C.	2	5.71
Chevron	San Francisco	1	2.86
Pacific Fuel Trdg.	Los Angeles	1	2.86
PanAm World Aways	New York	1	2.86
Shell	Houston, Tex.	1	2.86
Astroline	Long Beach, Calif.	*	*
Total Top 10		35	100.0
Total U.S.		35	

Source: Energy Information Administration, Petroleum Supply Monthly

*Less than 1,000 b/d.

Shell Fire Effects Quantum Chem Supply

Quantum Chemical Corp. announced that the Shell Oil Co. Norco, La., plant explosion and fire will have adverse effects on its ethylene production at its Gulf Coast petrochemical facilities because Shell supplies its ethylene.

Shell Oil Co. says it will take at least one year to rebuild its Louisiana plant and could take as long as 18 months before the entire refinery is ready to operate. The suspension of olefin and polypropane production will have negative effects on the company's petrochemical division, says Shell.

Because of the cutbacks, Quantum has been informed that Shell's ethylene customers will be put on allocation for an undetermined time, reducing Quantum's Gulf Coast supply. The allocation will result in a 20% reduction in the availability of Quantum's ethylene-derived products, says Quantum.

Demand for Quantum's major ethylene-based products, polyethylene and vinyl acetate monomer, has been strong and the company is evaluating what effects the cutbacks will have on the overall production and its marketing position.

The company notes that it has business interruption insurance which it believes will reimburse it for lost profits because of the supply cutback.

In addition to the Gulf Coast facilities where it purchases ethylene, Quantum has petrochemical plants in the Midwest producing about 2.2-billion pounds of ethylene per year.

(Continued from page 32)
carry the company's costs. Lindsay Holland said that recently, the fleet fueling firm was averaging between $300,000 and $400,000 each month in losses.

Rising phone rates, the plunge in gasoline prices in 1986, extravagant offices and even lawsuits were among the factors that drove the La Jolla, Calif.-based company to bail out at the end of April, said Lindsay Holland of Barney Holland Oil, Ft. Worth, Texas. Holland is one of five jobbers who are now attempting to steer the company back on track.

The other four jobber licensees involved are Keith Moore of West Texas Gas in Midland, Texas; Larry Bull of Herkimer Petroleum Products, Inc. in Utica, N.Y.; Stephen Draizin of RAD Oil Co., Inc. in New Rochelle, N.Y.; and Stewart Spinks of Spinx Oil Co. in Greenville, S.C.

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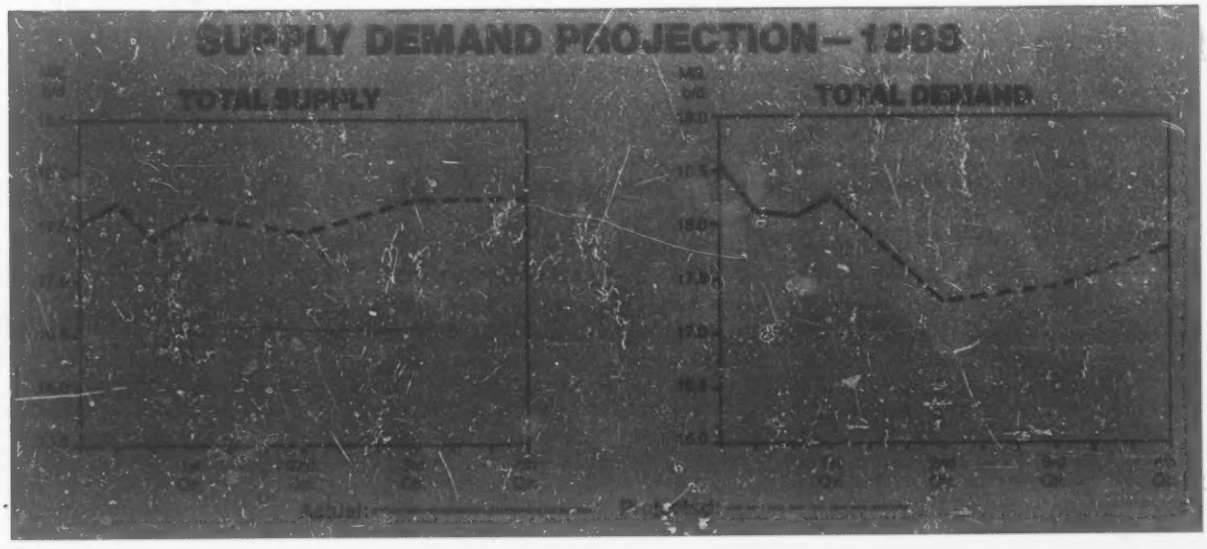

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TOTAL DEMAND	18,279	17,295	17,437	17,746	17,688	2.1%

SUPPLY

Domestic Production

Crude Oil	6,312	6,165	6,116	6,095	6,172	-1.2%
Natural Gas Liquids	1,478	1,395	1,509	1,634	1,504	1.8%
Total Production	6,642	6,241	6,734	6,760	6,744	-0.2%
Imports						
Motor Gasoline	463	427	450	366	426	-7.8%
Aviation Fuels	87	80	91	88	86	-7.0%
Middle Distillates	595	556	570	470	548	-3.5%
Residual Fuel Oil	420	439	534	547	485	-3.0%
Other Products	691	369	495	714	567	-3.0%
Total Imports	2,256	1,870	2,140	2,185	2,113	-4.9%
Crude Oil Imports	4,918	4,764	5,030	4,468	4,817	-3.0%
Total Supply	8,748	8,076	8,734	8,587	8,536	-1.2%
Stock Change	90	-207	213	481	144	-1.2%
TOTAL SUPPLY	8,838	7,869	8,947	9,068	8,680	-1.2%
Refinery Inputs	12,670	12,553	13,343	13,160	12,931	-1.2%

CLOSING STOCKS (millions of bbls.)

Motor Gasoline	230.0	228.4	233.6	237.0	237.0	0.8%
Aviation Fuels	42.6	41.1	40.3	40.7	40.7	-2.8%
Middle Distillates	98.9	106.8	132.6	141.9	141.9	-1.4%
Residual Fuel Oil	40.0	41.1	43.8	43.7	43.7	-3.4%
Other Products	254.5	255.1	256.0	256.3	256.3	0.8%
Total Products	667.0	672.5	716.3	719.7	719.7	0.6%
Crude Oil Stocks	334.0	335.5	332.0	332.5	332.5	-1.2%
TOTAL STOCKS	1,001.0	1,008.0	1,048.3	1,052.2	1,052.2	-0.4%

Source: IPAA Economic and Demand Committee, June 1988